

## Message Text

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ACTION AID-59

INFO OCT-01 NEA-10 ISO-00 EB-08 L-03 AGRE-00 OMB-01  
TRSE-00 CIAE-00 FDRE-00 ABF-01 /083 W  
-----044341 072019Z /46  
R 060955Z APR 78  
FM AMEMBASSY DACCA  
TO SECSTATE WASHDC 8770

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PASS USDA

PASS AID/ASIA/BIS

E.O. 11652: N/A  
TAGS: EAID, EAGR, BG  
SUBJ: FY 1978 PL-480 TITLE I AGREEMENT EDIBLE OIL AMENDMENT

REF: (A) DACCA 2078, (B) STATE 087028, (C) STATE 040821,  
(D) DACCA 0351, (E) 77 STATE 286009, (F) 77 STATE 278197,  
(G) STATE 066581

1. AS REPORTED IN REF (A), BDG HAS PROPOSED ALTERNATE LANGUAGE TO OUR DRAFT AMENDMENT CONCERNING USE OF 30,000 TONS OF EDIBLE OIL TO BE PROVIDED UNDER AMENDED AGREEMENT IN A MANNER THAT WILL SATISFY THE HUMAN RIGHTS REQUIREMENT FOR BENEFIT TO THE NEEDY. FOR THIS REASON AS NOTED IN REF (A), WE PLAN TO PROCEED WITH SIGNATURE OF AMENDMENT FOR 100,000 TONS OF WHEAT ON APRIL 11 AND SIGN A SEPARATE, LATER AMENDMENT FOR THE VEGETABLE OIL. THIS MESSAGE REQUESTS DEPARTMENT'S APPROVAL OF LANGUAGE FOR THE BEGETABLE OIL AMENDMENT IN RESPONSE TO REF (B).

2. OUR SUGGESTED DRAFT PROVIDED THAT (1) EDIBLE OIL OFF-TAKES IN ALL CATEGORIES OF THE PUBLIC RATION SYSTEM, EXCEPT LIMITED OFFICIAL USE

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MODIFIED RATION AND RELIEF, WOULD BE CONSTRAINED AT THE LEVEL OF 3,000 METRIC TONS PER MONTH EXCEPT UNDER EMERGENCY CONDITIONS, AND (2) EDIBLE OIL OFFTAKES IN THE MODIFIED RATION SYSTEM WOULD BE LIMITED TO CLASS "A" CARD HOLDERS EXCEPT UNDER EMERGENCY CONDITIONS. (WASHINGTON EARLIER APPROVED THIS PROPOSED LANGUAGE -- REFS C, PARA 4 AND D.)

3. ON APRIL 3 OFFICIALS OF THE FOOD AND PLANNING MINISTRIES REQUESTED THAT PERMISSIBLE EDIBLE OIL OFFTAKES IN THE MODIFIED RATION SYSTEM INCLUDE CLASS "A", "B" AND "C" CARD HOLDERS RATHER THAN "A" CARD HOLDERS ONLY. THE EXPLAINED THAT A CARD HOLDERS, WHO ARE THE POOREST CATEGORY, FREQUENTLY CANNOT AFFORD TO PURCHASE THEIR ENTIRE RATION QUOTA OF EDIBLE OIL. ALSO THE GOVERNMENT HAS ALSO BEEN SELLING THE EDIBLE OIL TO CLASSES B AND C MODIFIED RATION CARD HOLDERS IN THE PAST AND EXPECTS TO CONTINUE DOING SO. THEY POINTED OUT THAT WHILE B AND C CARD HOLDERS ARE SLIGHTLY MORE AFFLUENT THAN A CARD HOLDERS, THEY ARE STILL VERY POOR PEOPLE AND USE EDIBLE OIL PURCHASED THROUGH RATION SYSTEM AS AN IMPORTANT SOURCE OF PROTEIN.

4. THE FOOD MINISTRY OFFICIAL DEFINED THE FOUR CATEGORIES OF MODIFIED RATION CARD HOLDERS, WHICH INCLUDE IN CLASSES A, B, AND C THE URBAN AND RURAL POOR, AS FOLLOWS:

RURAL POOR -- CLASS A, FAMILIES PAYING NO UNION TAX; CLASS B, FAMILIES PAYING UNION TAX UP TO 3 TAKA A YEAR (20 CENTS AT EXCHANGE RATE OF TAKA 15/\$1); CLASS C, FAMILIES PAYING UNION TAX UP TO 8 TAKA A YEAR (53 CENTS); AND CLASS D, FAMILIES PAYING UNION TAX OF 8 TAKA AND ABOVE PER YEAR.

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URBAN POOR -- CLASS A, FAMILIES WITH MONTHLY GROSS INCOME LESS THAN 100 TAKA (\$6.60); CLASS B FAMILIES WITH MONTHLY GROSS INCOME BETWEEN 100 AND 200 TAKA (\$6.60-\$13.20) ; CLASS C, FAMILIES WITH MONTHLY GROSS INCOMES BETWEEN 200 AND 300 TAKA (\$13.20-\$19.80); AND CLASS D, FAMILIES WITH GROSS MONTHLY INCOMES OF 300 TAKA AND ABOVE.

5. FOOD MINISTRY COULD NOT PROVIDE DATA ON EXACT PROPORTION OF EDIBLE OIL OFFTAKES AMONG RURAL AND URBAN MR CARD HOLDERS IN CATEGORIES A, B AND C. THEY STRESSED THAT CLASS D MR CARD HOLDERS WERE NOT ENTITLED TO PURCHASE EDIBLE OIL FROM RATION SHOPS.

6. MISSION BELIEVES SALE OF EDIBLE OIL TO MR CARD HOLDERS IN CLASSES A, B AND C IS CONSISTENT WITH THE REQUIREMENT OF PART II, ITEM VI OF THE TITLE I AGREEMENT (SEE REF F FOR TEXT) WHICH STATES THAT COMMODITIES PROVIDED UNDER THE AGREEMENT SHALL BE USED FOR PURPOSES WHICH DIRECTLY IMPROVE THE LIVES OF NEEDY PEOPLE IN BANGLADESH. ALTHOUGH CLASS A CARD HOLDERS ARE THE NEEDIEST, IN RELATIVE TERMS, OF THE THREE CLASSES TO WHICH

BDG WISHES TO SUPPLY VEGETABLE OIL, ALL ARE VERY POOR PEOPLE. LIMITING VEGETABLE OIL SALES TO A CARD HOLDERS IS NOT POSSIBLE, ACCORDING TO BDG, SINCE THEY LACK INCOME TO PURCHASE THEIR FULL QUOTA. WE RECOGNIZE THAT UNDER SECTION II OF THE SELF-HELP SECTION OF THE FY 78 TITLE I AGREEMENT CONCERNING FOODGRAIN, FOODGRAIN DISTRIBUTIONS ARE LIMITED TO CLASS A MR CARD HOLDERS (REF F). UNLIKE FOODGRAIN, WHICH IS SOLD AT A SUBSIDIZED PRICE, VEGETABLE OIL IS SOLD AT THE TAKA EQUIVALENT OF THE CIF IMPORT VALUE. THIS IS REQUIRED UNDER SECTION 14 OF THE SELF-HELP REQUIREMENTS WHICH RELATE TO VEGETABLE OIL PROVIDED UNDER THE AGREEMENT (REF E).

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7. MISSION THEREFORE PROPOSED (IN RESPONSE TO REF B) THE FOLLOWING LANGUAGE FOR THE BEGETABLE OIL AMENDMENT. QUOTE. IN PART II-ITEM V-SELF-HELP MEASURES -- (1) DELETE THE TEXT OF SUBPARAGRAPH (C)(13) AND INSERT AS THE NEW TEXT FOR THIS SUBPARAGRAPH: "CONTINUE TO CONSTRAIN EDIBLE OIL OFFTAKES FROM THE PUBLIC RATION SYSTEM IN ALL CATEGORIES EXCEPT MODIFIED RATION AND RELIEF AT THE LEVEL OF 3,000 METRIC TONS PER MONTH EXCEPT UNDER EMERGENCY CONDITIONS" AND (2) ADD THE FOLLOWING SUBPARAGRAPH AFTER SUBPARAGRAPH (C)(14), "(15) LIMIT EDIBLE OIL OFFTAKES IN THE MODIFIED RATION SYSTEM TO CLASSES A, B, AND C CARD HOLDERS EXCEPT UNDER EMERGENCY CONDITIONS." END QUOTE. (NOTE: DEPARTMENT HAS ALREADY APPROVED THE FIRST SENTENCE NUMBERED (1) OF ABOVE LANGUAGE -- SEE REF C PARA 4.)

8. MISSION ALSO PROPOSES THE FOLLOWING LANGUAGE FOR MINUTES THAT WILL ACCOMPANY THE AMENDMENT. THIS LANGUAGE INDICATES UNDERSTANDING BY THE BDG THAT THE "NEEDY

PEOPLE" CRITERION (REF E) GOVERNING THE USE OF COMMODITIES UNDER PART II, ITEM VI OF THE JANUARY 13, 1978 AGREEMENT ALSO APPLIES TO THE VEGETABLE OIL PROVIDED UNDER THE AMENDMENT AS WELL AS WHEAT AND COTTON PROVIDED UNDER EARLIER AGREEMENT AS AMENDED.

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BEGIN QUOTE. USG OFFICIALS EMPHASIZED THAT THE REQUIREMENT IN PART II, ITEM VI OF THE JANUARY 13, 1978 AGREEMENT, AS AMENDED, CONCERNING THE USE OF COMMODITIES FOR THE BENEFIT OF NEEDY PEOPLE AND THE REQUIREMENT THEREIN FOR REPORTING ON SUCH USE APPLY TO EDIBLE OIL AS WELL AS TO WHEAT AND COTTON PROVIDED UNDER THE AGREEMENT, AS AMENDED. USG OFFICIALS STATED, WITH REFERENCE TO PART II, ITEM V, SUBPARAGRAPHS (13) AND (15) OF THE PROPOSED AMENDED AGREEMENT, THAT THE USE OF VEGETABLE OIL PRESCRIBED UNDER THESE PARAGRAPHS FOR CATEGORIES A, B AND C CARD HOLDERS OF THE MODIFIED RATION SYSTEM IS IN FULFILLMENT OF PART II, ITEM VI OF THE AGREEMENT WHICH STATES THAT COMMODITIES PROVIDED UNDER THE AGREEMENT SHOULD DIRECTLY BENEFIT THE NEEDY PEOPLE OF BANGLADESH. BDG OFFICIALS THEREFORE AGREED, WITH REFERENCE TO PART II, ITEM VI OF THE AGREEMENT AND PARAGRAPH 6, SUBPARA D OF THE AGREED MINUTES DATED JANUARY 13, 1978 THAT EDIBLE OIL PROVIDED UNDER THE AGREEMENT, AS AMENDED, AS WELL AS WHEAT AND COTTON WOULD BE USED FOR PURPOSES WHICH DIRECTLY IMPROVE LIVES OF THE NEEDY PEOPLE OF BANGLADESH.

USG OFFICIALS EXPLAINED WITH REFERENCE TO THE REQUIREMENT UNDER PART II, ITEM VI OF THE AGREEMENT FOR A REPORT ON THE USE OF COMMODITIES OR PROCEEDS, THAT THIS REPORT SHOULD DESCRIBE THE USE OF EDIBLE OIL AS WELL AS WHEAT AND COTTON PROVIDED UNDER THE AGREEMENT, AS AMENDED, IN A MANNER THAT WOULD SUPPORT A REASONABLE CONCLUSION THAT THE EDIBLE OIL WAS USED TO HELP NEEDY PEOPLE. END QUOTE.

9. ACTION REQUESTED: WE REQUEST DEPARTMENT'S CONCURRENCE WITH PROPOSED LANGUAGE IN PARAS 7 AND 8 ABOVE  
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SO THAT WE MAY PROCEED TO SIGN AN AMENDMENT FOR THE VEGETABLE OIL. ALSO, IF MARKET VALUE OF EDIBLE OIL HAS CHANGED FROM \$14.8 MILLION SINCE INSTRUCTIONS IN REF (H)

WERE RECEIVED, PLEASE ADVISE SO THAT WE MAY MAKE THIS CHANGE  
IN TEXT OF NOTE.  
SCHNEIDER

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## Message Attributes

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